

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, MARCH 23, 2020

SEC-CLERK'S OFFICE
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2020 MAR 23 A 11: 47

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. SEC-2016-00022

EDWARD CARR, JR.,
Defendant

JUDGMENT ORDER

The State Corporation Commission's ("Commission") Division of Securities and Retail Franchising ("Division") conducted an investigation ("Investigation") of Edward Carr, Jr. ("Carr" or "Defendant"), pursuant to § 13.1-518 of the Virginia Securities Act ("Act"), § 13.1-501 *et seq.* of the Code of Virginia ("Code"). Based on the Investigation, the Division alleges, among other things, that the Defendant: (1) refused or failed to comply with the terms of the Commission's Settlement Order ("Settlement Order")¹ entered in this matter in violation of §§ 12.1-13 and 12.1-33 of the Code; and (2) committed fraud in connection with the unregistered offer and sale of securities in violation of §§ 13.1-502 (2), 504 (A), and 507 of the Act. The Defendant executed the attached Consent to Entry of Judgment Order ("Consent"), admitting to factual allegations as well as the violations of the Code and the Act, and supporting the Commission's entry of a Judgment Order.

Carr was previously licensed in Virginia as a non-resident insurance agent. Beginning in 2014, Carr was an independent trust consultant with Dominion Private Client Group LLC

¹ *Commonwealth of Virginia, ex rel. State Corp. Comm'n. v. Carr*, Case No. SEC-2016-00022, 2016 S.C.C. Ann. Rept. 503 (Settlement Order, Aug. 4, 2016).

("DPCG"), a Virginia limited liability company and an affiliate of Dominion Investment Group LLC ("DIG"), a Virginia limited liability company, and Summit Trust Company ("Summit") based in Pennsylvania and Nevada. As a consultant for DPCG and Summit, Carr offered and sold securities in several DIG affiliated Virginia limited liability companies, including Warped Cigars LLC, DV8 Sports LLC, weMonitor Group LLC, Spectrum 2100 LLC, Venture Capital I LLC and a Florida limited liability company, Diversified Financing LLC (hereinafter "Issuers"), to six Virginia and three North Carolina residents, totaling approximately \$632,900. The offer and sale of these securities took place between 2014 and 2015. None of these securities were registered with the Division or exempt from registration pursuant to the Act. Carr received commissions from the sales of these securities.

The Defendant acted as an unregistered agent of the Issuers when he offered and sold the Issuers' unregistered securities in and from Virginia. Carr also failed to properly inform investors: (1) of the substantial risks of these investments; (2) that Daryl Gene Bank, managing member of DIG and DPCG, and managing member of the Issuers, was barred in 2010 from offering or selling securities by the Financial Industry Regulatory Authority, Inc.; (3) that Carr would receive commissions from the sale of these securities; and (4) the amount of commissions earned from the sales of securities to these investors.

In January 2014, the Division opened an investigation of DIG. Throughout the course of its investigation, the Division identified Carr as an unregistered selling agent of certain DIG products, determining that he offered and sold unregistered securities products as an unregistered agent of DIG or DPCG.² On August 4, 2016, the Commission entered a Settlement Order in this

² See *Commonwealth of Virginia, ex rel. State Corp. Comm'n. v. Daryl Gene Bank, et al.*, Case No. SEC-2015-00020.

matter, in which the Defendant agreed to multiple terms, including the payment of \$80,000 in monetary penalties to the Treasurer of Virginia or, alternatively, payment of \$80,000 in restitution to the investors within twenty-four months of entry of the Settlement Order, split proportionately among the nine investors based on the amount each invested. As part of the Settlement Order, Carr also agreed to submit an affidavit to the Division showing proof of restitution payments, provide a copy of the Settlement Order to those investors who would receive restitution payments within thirty days of entry of the Settlement Order, and to not violate the Act in the future.

To date, the Defendant has not made any payments of restitution to the investors or payment of the \$80,000 monetary penalties to the Treasurer of Virginia and has otherwise failed to comply with the terms of the Settlement Order. On October 29, 2019, the Commission entered a Rule to Show Cause³ against Carr setting forth the above-referenced allegations and violations of the Code, Act, and the Settlement Order. Specifically, in the Rule to Show Cause, the Division alleges that Carr violated §§ 12.1-13 and 12.1-33 of the Code by failing to obey the requirements of the Settlement Order, including his failure to make required payments and submit an affidavit to the Division showing proof of restitution.⁴ The Division further alleges in the Rule to Show Cause that Carr violated the following provisions of the Act:

1. Section 13.1-502 (2) of the Act by indirectly or directly obtaining money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

³ Doc. Con. Cen. No. 191030148.

⁴ *Id.* at ¶ 21.

2. Section 13.1-504 (A) of the Act by transacting business in the Commonwealth of Virginia without duly being registered with the Division as an agent of the issuer; and

3. Section 13.1-507 of the Act by offering or selling securities that were not registered under the Act or exempt from registration.⁵

On February 27, 2020, the Hearing Examiner Report of Mary Beth Adams was issued in this matter which granted the Division's Motion for Entry of Judgment Order and recommended entry of a Judgment Order in this matter.

The Defendant admits the foregoing allegations as set forth in the Consent attached to the Motion for Entry of Judgment Order and agrees to the entry of a Judgment Order including the following terms and conditions:

1. A directive requiring the Defendant to pay \$80,000 in restitution to the above-referenced nine (9) investors, split proportionately among the investors based on the amount each invested;

2. A permanent bar prohibiting the Defendant from registration in Virginia as an investment advisor representative, broker-dealer agent, or agent of the issuer;

3. A permanent bar prohibiting the Defendant from licensure in Virginia as an insurance agent; and

4. A permanent injunction prohibiting the Defendant from committing future violations of the Act.

⁵ *Id.* ¶ 22. Thereafter, on or about January 28, 2020, the Defendant, by counsel, filed an Unopposed Motion for Extension of Time to Respond (Doc. Con. Cen. No. 200130135) as well as his "Response & Answer of Edward Carr, Jr. to Rule to Show Cause." (Doc. Con. Cen. No. 200130150). On January 31, 2020, the Hearing Examiner in this matter entered a Ruling (Doc. Con. Cen. No. 200140298), granting the Defendant's Motion for Extension of Time to Respond.

The Division has moved in its Motion for Entry of Judgment Order, the Hearing Examiner has now recommended, and the Defendant has now consented to, entry of judgment against the Defendant in this matter.

NOW THE COMMISSION, having considered the record herein, the Consent to Entry of Judgment Order signed by the Defendant, and the recommendation of the Division, and the recommendation of the Hearing Examiner, hereby enters judgment against the Defendant in this matter.

Accordingly, IT IS ORDERED THAT:

1. The Defendant is required to pay \$80,000 in restitution to the above-referenced nine (9) investors split proportionately among the investors based on the amount each invested.
2. The Defendant is permanently barred from registration in Virginia as an investment advisor representative, broker-dealer agent, or agent of the issuer.
3. The Defendant is permanently barred from licensure in Virginia as an insurance agent.
4. The Defendant is permanently enjoined from offering and selling securities in and from the Commonwealth of Virginia and from engaging other agents or affiliates to offer and sell securities in and from the Commonwealth of Virginia on his behalf.
5. The Defendant is permanently enjoined from committing any future violations of the Act.
6. This case is dismissed, and the papers herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission, CERTIFIED MAIL, RETURN RECEIPT REQUESTED, and electronic mail to counsel for Carr: Robert V. Cornish, Jr., Esquire, Anderson Kill, LLP, 1717 Pennsylvania Avenue, Suite 200, Washington, D.C. 20006, rcornish@andersonkill.com; and Thomas J. Powell, Esquire, The Law Offices of Thomas J. Powell, P.C., 3603-D Chain Bridge Road, Fairfax, Virginia 22030, tom@tjplaw.com; and a copy shall be delivered to the Commission's Office of General Counsel and the Division of Securities and Retail Franchising.